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Childcare & Economic Development in Austin

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Introduction

Demographic trends, the changing nature of work, and the breakdown of informal care networks are all contributing to rising pressure on the America's childcare system. On the demographic side, the structure of the family is changing, with fewer children being born, partially as a result of parents need for greater labor force participation to cope with rising costs and stagnant working-class incomes. Meanwhile, the capacity of extended family and community to provide childcare has fragmented, at least partially due to an increasingly mobile society and declining connection to social and religious institutions. As a result, more families (with fewer resources) than ever are in search of high-quality childcare, at ever-increasing prices. According to a report commissioned by ReadyNation/Council for A Strong America (ReadyNation):

Childcare costs are one of the most significant expenses in a family's budget. Monthly costs for a household with one child (a 4-year-old) range from \$344 in rural South Carolina to \$1,472 in Washington, D.C., and costs are higher for families with multiple children. Infant care is even less affordable. Only South Dakota and Wyoming have infant care that meets the Department of Health and Human Services' current definition of affordable—consuming 10 percent or less of a family's income. In Massachusetts, which has one of the highest center-based infant care costs, childcare is considered unaffordable for over 80 percent of families.¹

On the other side of the equation, childcare providers are equally strained. In many urban areas, rents have risen much faster than revenue, cutting into margins and compressing wages. Childcare is among the lowest paid occupations in the economy, undermining the ability of childcare firms to attract and retain high-quality workers, especially if they are attempting to serve lower and middle-income customers. This has consequences, not the least of which is exacerbating the income gap in current and future generations. "Inequities in education and opportunity begin long before children start school, and they stay with people for their entire life," said Valerie Wilson, Director of Economic Policy Institute's Project on Race, Ethnicity, and the Economy. "The benefits to an investment in childcare and early childhood education go beyond helping children and their families. Such an investment would mean a more equal, more just, and more prosperous society."

The situation outlined above is certainly evident in Austin, as for many families, access to high-quality childcare is the tip of the affordability spear. It is no secret that, while

¹ *The Economic Impacts of Insufficient Childcare on Working Families*, Clive Belfield, 2018.

overall incomes are rising in Austin, affordability is diminishing rapidly for those who cannot command a modern-economy salary. Affordable, high-quality childcare is a piece of the broader puzzle that is especially important as the City has shifted significant economic development focus toward enabling middle-skill jobs. Meanwhile, the average wage in Austin for childcare workers is dismal. According to the most recent Occupational Wage Study (May 2018) done by the Bureau of Labor Statistics for the Austin-Round Rock MSA, the average annual wage across the entire economy is \$53,810. At \$24,360, childcare workers earn only 45 percent of the overall average, and only 80 percent of the average bartender at \$30,280 (reported).

TXP was commissioned by the City of Austin (COA), working through Austin Public Health, to explore the relationship between childcare and economic development. As part of that process, TXP conducted a literature review, as well as interacting with numerous stakeholders. A best-practices survey was developed and administered, but the response did not rise to the level of statistical validity. As a result, information from the survey was incorporated as stakeholder input. In the end, the focus is on recommendations that are contextually appropriate for the situation in Austin, and hopefully can be implemented in the near future.

The structure of the report is as follows. In order to set the context, a review of the benefits of childcare is provided, along with an overview of the state of Pre-K nationally including snapshots of several communities that have enacted creative and/or compelling local initiatives. Since the focus of this report is on the connection between high-quality childcare and economic development, the context section concludes with a discussion of the business case for high-quality childcare. The next section discusses the childcare situation in Austin and includes a summary of stakeholder input. The report concludes with overall findings and specific recommendations to the City of Austin to help broaden access and improve quality in service of supporting the local workforce.

Context

Throughout most of history, the answer as to who educated the very youngest members of society was simple: mothers. Early childhood development and education took place in the home, with mothers (and often extended family) primarily responsible for the care of young children. But today, unprecedented numbers of American mothers are participating in the workforce, and parents of all types are faced with the economic reality of needing to work. Consequently, millions of young children are in paid childcare for a substantial portion of the years leading up to kindergarten. Research has shown that these early years are crucial; ninety percent of brain

development happens from birth to kindergarten and this development has implications for school success, justice system involvement, and adult earning potential.²

Benefits of High-Quality Childcare

Because children are continuously learning from the moment they are born, the distinction between “care” and “education” is actually false.³ A report on high-quality childcare states:

During the first few years of life, children’s brains are forming more than one million neural connections every second, impacting all future learning into adulthood. The greatest brain-building occurs when children are babies and toddlers, and it slows noticeably by the time a child reaches kindergarten.⁴

Early brain and child development research demonstrate that human development is powerfully affected by contextual surroundings and experiences, and that these day-to-day experiences affect the structural and functional development of the brain, including intelligence and personality. Communication and secure, loving relationships with adult caregivers literally build the architecture of children’s brains, meaning that the hour-to-hour, day-to-day experiences of babies and young children have lasting impacts on the rest of their lives.⁵

Children who attend high-quality early childhood programs demonstrate better math and language skills, better cognition and social skills, better interpersonal relationships, and better behavioral self-regulation than do children in lower-quality care.⁶ So what constitutes high-quality care? The National Association for the Education of Young Children (NAEYC) sets national standards for childcare, which serve as the foundation

² Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*. <https://www.unitedwayaustin.org/success-by-6-plan/>

³ U.S. Chamber of Commerce Foundation (2018). *Leading the Way: A Guide for Business Engagement in Early Education*. <https://www.uschamberfoundation.org/reports/leading-way-guide-business-engagement-early-education>

4 Children at Risk (November 2018). *Building Brains & Economies*. <https://childrenatrisk.org/building-brains/>

⁵ U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>.

⁶ American Academy of Pediatrics (2005). *Quality Early Education and Child Care from Birth to Kindergarten*. Pediatrics, www.aappublications.org/news.

for its accreditation program. They have identified ten standards for early childhood programs based on research on the development and education of young children.^{7 8}

1. Relationships: The relationships among children with each other and children with staff are warm, sensitive and responsive. Children feel welcomed, nurtured and engaged. In a high-quality program, positive relationships are promoted and a child's contributions to the community are encouraged and valued.
2. Curriculum: While specific curriculum can vary from program to program, a high-quality program implements a curriculum that promotes social, emotional, physical, language and cognitive learning and development. The children's planned activities are linked to curriculum goals. Children have the opportunity to learn through exploration and play, with appropriate materials and toys that support their development.
3. Teaching: A high-quality program uses teaching approaches that support a child's learning and curriculum goals. Teachers modify strategies to respond to the needs of individual children and provide learning opportunities through both indoor and outdoor play. The interactions between the teachers and the children are active, stimulating and engaging.
4. Assessment of Child Progress: The program uses appropriate assessments such as observations, checklists and rating scales to assess children's learning and development. Teachers use assessment information to tailor their teaching and activities to a child's particular needs, and regularly shares the information with the child's family.
5. Health: The childcare program promotes the nutrition and health of children and acts proactively to protect children from illness or injury. Staff is trained in first aid, and the program implements clear policies around health, safety and sanitation.
6. Teachers: In a high-quality childcare program, teachers are well educated in early childhood development and many will have education beyond minimum

⁷ The National Association for the Education of Young Children (n.d.). *The 10 NAEYC Program Standards*. <https://www.naeyc.org/our-work/families/10-naeyc-program-standards>

⁸ Collaborative for Children (n.d.). *What is High-Quality Child Care?* <https://www.collabforchildren.org/families/what-high-quality-child-care>

standards. Qualifications may include Child Development Associate (CDA) credentials, associate's or bachelor's degrees, or higher degrees. Staff engage in ongoing professional development.

7. Families: The program works to develop and maintain relationships with the children's families. Families feel welcome and encouraged to participate in their child's learning. The program uses a variety of methods to communicate regularly with families. The family feels it and the child care provider are working together as partners in their child's care.
8. Community Relationships: The program establishes and utilizes the resources in its community to further enhance children's learning and program goals. Representatives from community programs and other community members are invited to share their talents with the children and create additional stimulating experiences.
9. Physical Environment: The program operates in a safe and well-maintained environment designed to promote safety and learning. The program has necessary furnishings and equipment to maintain a healthy and safe environment. The program also has ample quantities of age-appropriate materials and toys within children's reach.
10. Leadership and Management: The program maintains appropriate group sizes and ratios of staff to children. The program administrator is well educated in early childhood education. The program possesses and implements policies and procedures that support safety, staff members and children's learning and development, and policies are well communicated to families.

Young children experience their world primarily as "an environment of relationships," and consistent, back-and-forth engagement with warm, responsive, and trusted caregivers help them to form healthy cognitive, social-emotional, and language development, thereby leading to positive outcomes such as increased school readiness.⁹

The following section reviews the state of Pre-K nationally, with an eye toward looking at best practices that potentially could be adopted and/or modified for Austin. It is

⁹ U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>.

noteworthy that the youngest children served by the programs outlined as follows are perhaps three, as there appears to be little public policy-related literature detailing the impact and best practices for infants and toddlers.

The State of Pre-K Nationally

Researchers at the National Institute for Early Education Research (NIEER) partnered with CityHealth to analyze access and quality of pre-K programming in America's 40 largest cities. City leaders are increasingly recognizing the strong associations between poverty and school failure and are acknowledging that high-quality pre-K programs are one of the strongest tools to fight the effects of child poverty. Investment in preschool strengthens cities in numerous ways, by:¹⁰

- Stabilizing the child-care system
- Improving health outcomes
- Reducing school costs in the form of special education and grade repetition
- Discouraging urban flight

Cities have put forth a variety of different initiatives that augment state and federal funds geared toward improving quality and access of preschool. Half of the nation's largest cities now raise local funds dedicated to improving quality and/or access to Pre-K.

The *Pre-K in American Cities* report released in January 2019 utilizes NIEER's 10 benchmarks developed for their annual State of Preschool Yearbook to signify quality and CityHealth's award system of bronze, silver, and gold medals to track access. The NIEER benchmarks include curriculum supports, teacher education level, teacher-child ratio, and health screenings and referrals.¹¹

Cities that had at least 30 percent of their eligible four-year-old population enrolled in pre-K programs but failed to meet eight out of the 10 benchmarks received a bronze medal. Cities with pre-K programming that met at least eight of the 10 NIEER benchmarks but had low rates of access were awarded silver. Cities with both high-quality programs and high rates of access earned the gold medal.

¹⁰ CityHealth and the National Institute for Early Education Research (2019). *Pre-K in American Cities*. <https://www.cityhealth.org/prek-in-american-cities>

¹¹ CityHealth and the National Institute for Early Education Research (2019). *Pre-K in American Cities*. <https://www.cityhealth.org/prek-in-american-cities>

Only five cities — Boston, Charlotte, Nashville, New York and San Antonio — were recognized with a gold medal, meaning they met 80 percent of the quality standards developed by NIEER and met or surpassed the 30 percent access benchmark. Eight cities received silver medals for meeting eight quality benchmarks but reaching too few children; 20 cities received bronze medals (including Austin), reaching more than 30 percent of eligible 4-year-olds but failing to meet at least eight quality benchmarks. Please see Appendix A for the city-by-city assessment data. Key findings from the study¹² include:

- Access is Too Low: Access to Pre-K programs is limited in most cities. Only 24 of the 40 largest U.S. cities (60%) offer a Pre-K program that reaches more than 30% of the 4-year-old population.
- Class Size and Teacher-Student Ratio are Uneven: Just over half of the largest U.S. cities (23 of 40 or 58%) meet quality benchmarks for Pre-K class size, which is one teacher and one teacher assistant for every 20 students.
- Teacher Preparation is Solid, but Professional Development and Salary Requirements Are Lacking: Almost two thirds of city programs (25 of 40 or 63%) require Pre-K teachers to have a bachelor's degree with specialized training in teaching young children, and most programs (34 of 40 or 80%) require at least some specialized training. Only a small fraction of city programs (6 of 40 or 15%) require that all teaching staff receive ongoing professional development. Only 15 (38%) of the rated city programs require that all teachers be paid comparably to those in the K-12 system.
- Too Few Cities Conduct Health Screenings: Few cities ensure that children are receiving critical health screenings. Fewer than a quarter of cities (9 of 40) ensure that children receive vision, hearing, health, and developmental screenings and referrals.

Cities have considerable opportunities to invest in early education and have taken different approaches to securing funding. In Philadelphia, pre-K program funding is derived from a tax placed upon sugary drinks, while San Antonio's Pre-K for SA program utilizes a sales tax initiative. The following are snapshots of what thought-leader cities across the country are doing to invest in the education of young children, specifically in the Pre-K arena.

¹² CityHealth and The National Institute for Early Education Research (January 23, 2019). *New Report Shows Only 13 of 40 Large American Cities Meet Quality Benchmarks for Pre-K, 15 Have Low Enrollment.* <https://static1.squarespace.com/static/5ad9018bf93fd4ad7295ba8f/t/5c47844e2b6a28c73a8569b6/1548190799006/Pre-K+in+American+Cities+National+Release.pdf>

Snapshots of Other Communities

Seattle

In November 2014, Seattle voters approved a four-year, \$58 million Seattle Preschool Services Levy to fund the SPP Action Plan. The purpose of the program is to expand access to affordable, high-quality preschool to enable Seattle's three- and four-year- to enter school prepared to succeed. SPP partners with early learning programs to prepare children for school, enable students to achieve pre-academic skills, enable students to develop socially and emotionally and eliminate the readiness gap for participating children. Data collected on the program shows that 86% of participant children meet kindergarten readiness standards in six critical domains: language, mathematics, literacy, cognitive, physical, and social-emotional.¹³ While SPP meets 100% of the quality benchmarks set by NIEER, it only reaches 10% of eligible children.

San Antonio

In 2012, citizens of San Antonio voted for a sales tax initiative that established the Pre-K 4 SA program. The program partners with local school districts to offer Pre-K for four year-old children across the city. The program is free for eligible families and sliding scale tuition based for others (ten percent of available slots are reserved for tuition students, representing 2000 students for the 2019-2020 school year). Pre-K 4 SA is funded through a one-eighth-cent city sales tax that generates around \$35 million per year. In 2018, the program reported spending about \$11,500 per year per student, along with about \$4.2 million annually in grants to other pre-K providers and school districts to help expand full day pre-K and teacher certification.¹⁴ A year 5 independent report published in 2018 indicated that although gaps in readiness existed for Pre-K 4 SA children at the beginning of the school year on five of six outcomes, Pre-K 4 SA children reversed those gaps by the end of the year, surpassing the normed sample in two outcomes (cognitive and mathematics).¹⁵ Pre-K 4 SA meets 80% of quality benchmarks set by NIEER, and it also serves more than 30% of eligible children.

New York

New York City is home to the largest Pre-K initiative in the country, currently serving all 4 year-old resident children who apply. In 2013, there were only 19,000 New York City children enrolled in prekindergarten; Mayor de Blasio's 2014 Pre-K for All initiative now

¹³ Department of Education and Learning, City of Seattle. <http://www.seattle.gov/education/overview/equitable>

¹⁴ McNeel, Bekah (July 17, 2018). *Measuring success at San Antonio's public preschool program*. The Hechinger Report, <https://hechingerreport.org/measuring-success-at-san-antonios-public-preschool-program/>

¹⁵ Decker-Woodrow, Lauren, et.al. (October 18, 2018). *Pre-K 4 SA Evaluation Report Year 5*. Westat, https://prek4sa.com/wp-content/uploads/2019/01/PreK4SA_Year5_EvaluationReport.pdf

enrolls about 70,000 Pre-K students across all five boroughs. Data from 2016-17 shows that the city funds the program through a mix of state grants (78 percent), city tax levy (21 percent) and federal grants (1 percent).¹⁶ In 2018, about 94 percent of the city's prekindergarten programs met or exceeded a threshold that predicts positive student outcomes after pre-K, according to the Early Childhood Environment Rating Scale. The program meets 80% of quality benchmarks set by NIEER. Additionally, in 2017, the program was expanded to include 3-year-olds, known as 3-K. 3-K currently serves about 5,000 children in six mostly low-income neighborhoods.

Boston

Boston Preschool (BPS) was established in 2005 for 4-year-old Boston-area children. It currently serves close to 3,000 children, representing approximately 70% of eligible children. As part of the city's fiscal year 2020 budget, \$15 million is being invested in a new Boston Universal Pre-K Fund to guarantee equitable access to free, high-quality pre-K for all 4-year-olds in Boston within five years. Studies have shown that participation in the BPS Pre-K program closes kindergarten racial and income achievement gaps and makes participants 50% more likely to be ready for kindergarten than students who did not participate. Academic improvements were even more dramatic for African-American and Hispanic/Latino students: 80 percent of African-American students who participated in the BPS Pre-K program reached benchmark levels upon entering Kindergarten, compared to 56 percent of students who did not, and 70 percent of Hispanic/Latino students who participated in the BPS Pre-K program reached benchmark levels upon entering Kindergarten, compared to 39 percent who did not. Additionally, students who attended the BPS Pre-K program outperform their peers on standardized state tests, years after their Pre-K attendance. The program meets 80% of quality benchmarks set by NIEER.

Philadelphia

PHLpreK offers free, high-quality Pre-K to 2,250 children ages 3-4 across Philadelphia, with plans to expand to 5,500 seats by Fall 2023. The program is funded by the Philadelphia Beverage Tax passed by City Council in 2016. There are no income requirements to access this program. Additionally, the School District of Philadelphia directly provides free, full-day preschool services to more than 9,500 children (ages 3-5) in the Philadelphia area. These services are available to low-income families that qualify. This program meets 80% of quality benchmarks set by NIEER.

¹⁶ Center for the Study of Child Care Employment, University of California, Berkeley (2017). *Strategies in Pursuit of Pre-K Teacher Compensation Parity: Lessons from Seven States and Cities*. http://cscce.berkeley.edu/files/2017/10/Pre-K-Parity_NewYorkCity.pdf

Making the Business Case

In addition to being better for the immediate well-being of young children, providing high-quality childcare makes good business sense. In 1940, 1 in 10 children under the age of 5 lived in a household where both parents worked; today, two-thirds of children do.¹⁷ Women entering the workforce has resulted in significant economic gains for our country, yet women's labor force participation has stagnated in recent years, partly due to lack of childcare options. The following statistics from the U.S. Chamber of Commerce Foundation highlight the importance of this issue:¹⁸

- Women are nearly half of the American workforce and mothers are 40% of primary breadwinners.
- Millennials make up over a third of the workforce, and millennial women are responsible for 8 out of 10 births.
- Without women's labor force participation since 1970, the U.S. economy would be \$2 trillion less and median family income would be \$14,000 less.

Almost 13 million Americans in their prime working years have children under the age of 6.¹⁹ Reliable childcare is essential for parents to be able to complete postsecondary education (thereby increasing earning potential), enter the workforce, and remain employed and productive at work. More than a quarter of college students are raising children; only 27% of them attain a degree within six years, and more than half of those that drop out cite "family commitments" as the reason. Among the nonworking poor with young children (11.4% of the nonworking poor), 70% cite "taking care of home/family" as the reason they are not in the workforce. Other studies have shown that affordable high-quality childcare greatly influenced workforce participation and productivity, with many parents missing work regularly due to problems with childcare.²⁰ One 2016 study found that working families across the country lose \$8.2 billion in wages annually due to inadequate childcare access.²¹ That study is reinforced by the work of ReadyNation, who conducted a nationwide survey on the workforce implications of inadequate childcare. The following figures summarize their results:

¹⁷ Glynn, Sarah Jane (August 2012). Child Care: Families Need More Help to Care for Their Children. Center for American Progress, www.americanprogress.org/issues/economy/new/2012/08/16/11978/fact-sheet-child-care/

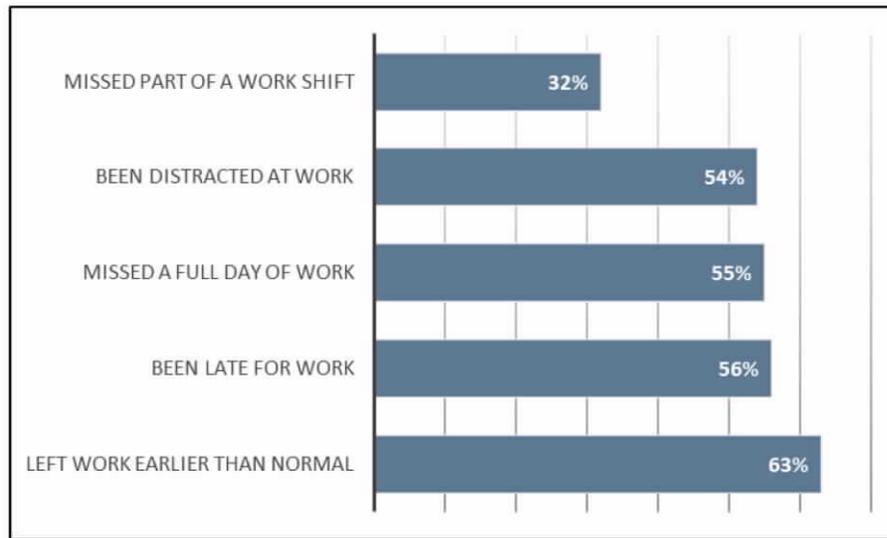
¹⁸ U.S. Chamber of Commerce Foundation (2018). *Leading the Way: A Guide for Business Engagement in Early Education*. <https://www.uschamberfoundation.org/reports/leading-way-guide-business-engagement-early-education>

¹⁹ Bureau of Labor Statistics (April 20, 2017). *Employment Characteristics of Families – 2016*. U.S. Department of Labor, www.bls.gov/news.release/pdf/famee.pdf.

²⁰ U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>

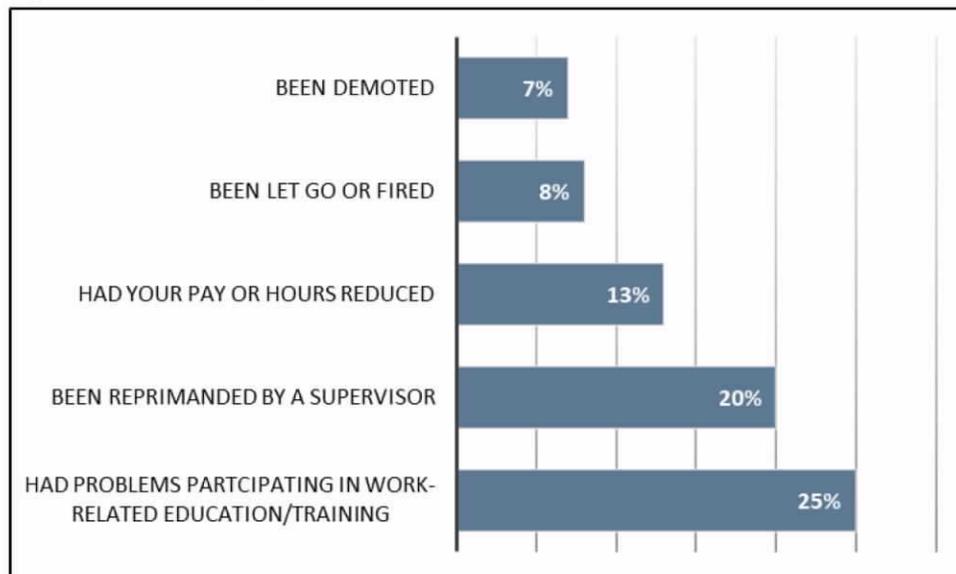
²¹ Glynn, Sarah Jane & Corley, Danielle (September 22, 2016). *The Cost of Work-Family Policy Inaction: Quantifying the Costs Families Currently Face as a Result of Lacking U.S. Work-Family Policies*. Center for American Progress, www.americanprogress.org/issues/women/reports.

Figure 1: Time and Effort at Work: Due to Childcare Issues Have You:



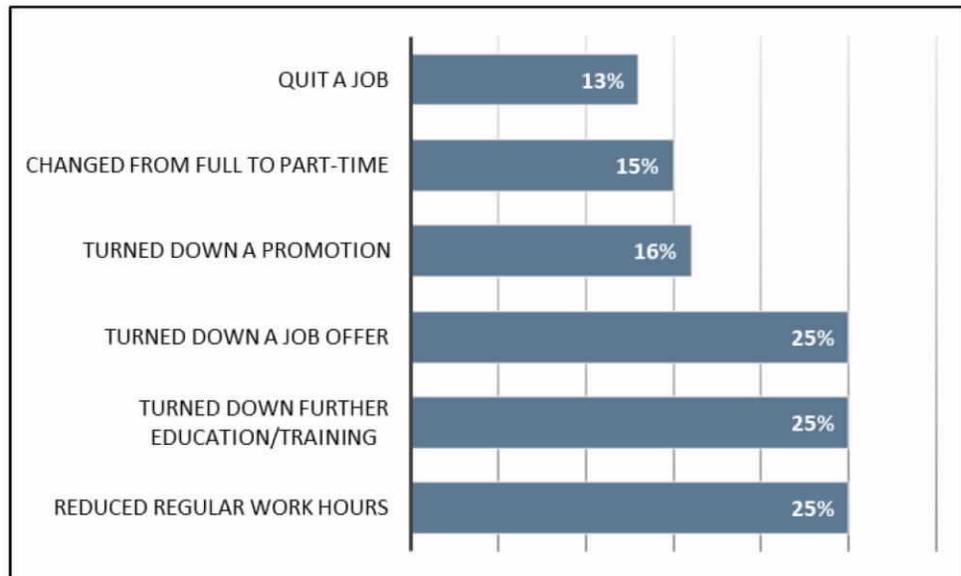
Source: ReadyNation, TXP

Figure 2: Productivity/Performance at Work: Due to Childcare Issues Have You:



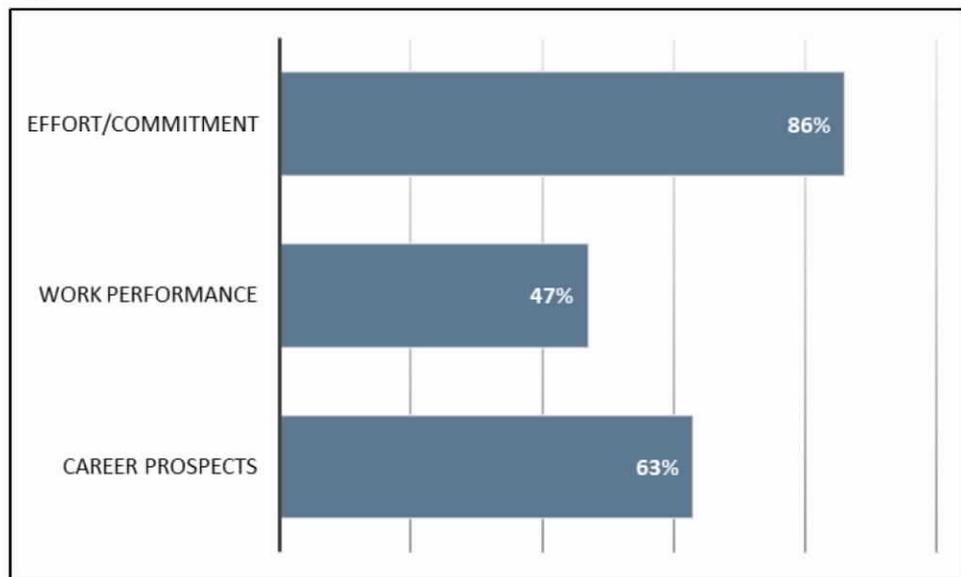
Source: ReadyNation, TXP

Figure 3: Career Pathways: Due to Childcare Issues Have You:



Source: ReadyNation, TXP

Figure 4: Accumulated Adverse Effects Due to Childcare Issues On:



Source: ReadyNation, TXP

Table 1: How Childcare Problems Adversely Affect the Economy

Individual Parents	Businesses	Taxpayers/Jurisdictions
Lost earnings now due to lower productivity and less work experience	Lost existing revenue from lower output	Lost other tax revenue from lower economic activity
Extra costs of job search for alternative work and childcare arrangements	Extra costs associated with employee turnover and absenteeism	Lost sales and consumption tax revenue
Lost future earnings from lower productivity, less work experience, and lower skills development	Lost future revenue from lower output	Lost future tax revenue from lower economic activity

Source: ReadyNation, TXP

Table 2: Annual Economic Burden per Worker

Individual Parents	Businesses	Taxpayers/Jurisdictions
\$3,210 Lost earnings per year	\$860 Lost existing revenue	\$400 Lost other tax revenue
\$140 Extra costs of job search	\$290 Extra turnover costs	\$230 Lost sales tax revenue

Source: ReadyNation, TXP

In contrast to these challenges, a brief published by the Marguerite Casey Foundation summarizes the economic benefits of high-quality, affordable childcare:²²

- **Increased worker productivity.** Affordable and childcare contributes to a more productive workforce, reduces absenteeism, and improves employee retention. Among businesses that make these investments, 85 percent report improved employee recruitment and nearly two out of three report decreased turnover.
- **Boost to businesses' bottom line.** Childcare breakdowns leading to absences cost businesses \$3 billion annually in the United States. When businesses are proactive about addressing childcare, their bottom lines benefit. For every \$1 that employers invest in back-up childcare, they can receive a return of \$3 to \$4 due to increased employee productivity and reduced employee turnover.
- **Employment and educational support for low-income working parents.** The childcare industry supports the direct and indirect jobs of many, and, with continued investment, could further grow employment opportunities. In one

²² Marguerite Casey Foundation (2016). *High-Quality, Affordable Childcare for All: Good for Families, Communities, and the Economy*. https://www.policylink.org/sites/default/files/Childcare%20for%20All_FINAL_0.pdf

study of student parents at community colleges, 80 percent of respondents reported that the availability of childcare was very important to their decision to pursue education, and almost 60 percent said they would not have been able to continue college without childcare services.

- Higher earnings for parents in the workforce. Childcare provides an essential infrastructure that allows parents to be employed outside the home and to provide for their families. Every dollar invested in the formal childcare sector results in \$15.25 in additional income for parents. In addition, affordable childcare increases family incomes by allowing more parents—especially mothers—to work. If childcare costs decreased by 10 percent, the employment rate for single women would increase by 2 percent, and for married women it would increase by 10 percent. Full government funding of early-childhood education (including childcare) would increase overall maternal employment by up to 10 percent.
- Increased spending and tax revenues. Public investment in affordable, high-quality childcare increases the ability of parents to work and the amount of tax revenues collected thus resulting in lower government spending over the long term. Every dollar invested in high-quality early-childhood education (including childcare) results in public savings of up to \$16 in costs related to special education, grade retention, criminal justice, and welfare.

In addition to strengthening today's workforce by supporting parents, childcare is simultaneously laying the human capital foundation – whether well or poorly – for much of our nation's future workforce.²³ A recent report on the economic impact of childcare noted Texas is missing out on economic gains since only 11% of childcare providers are certified high-quality by state or national standards.²⁴ High-quality programs can help children build the foundation and begin to develop skills for critical executive functions such as working memory, impulse control, and cognitive flexibility – all of them key to succeeding in both school and the workplace. Even though Texas holds a reputation as a business-friendly state, Forbes reported that from an economic standpoint, “one of the only things holding Texas back is the education rate among its

²³ U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>.

²⁴ Children at Risk (November 2018). *Building Brains & Economies*. <https://childrenatrisk.org/building-brains/>

labor supply.”²⁵ Thus, investing in Texas children is a proxy for investing in the future health and vitality of our state as a whole.

Childcare in Austin

The Success by 6 (SX6) Coalition is a local group of child and family advocates that includes providers, parents, policymakers, philanthropists, business leaders, and early childhood experts who are implementing the Austin/Travis County Success By 6 Strategic Plan. The goal of the plan is that each child born in Austin and Travis County has the “best possible first 2,000 days” and “enters kindergarten with the firm foundation they need to succeed in kindergarten and beyond.” The group understands well the connections between high-quality child care (defined as meeting either state or national accreditation standards – Texas Rising Star 4-stars or NAEYC or NAC accreditation) and economic development, as Figure 5 and 6 indicate.

Barriers in Austin

While the vision is clear, local stakeholders emphasized that the challenges are similar to those found across the nation. If parents are to participate fully in the labor force, they must have access to childcare, but high-quality care can be difficult to find and even harder to afford. The national average cost of full-time center-based care is about \$10,000 a year, which is higher than the average cost of in-state college tuition in 33 states. Costs in larger urban areas, such as Austin, are even higher. SX6 reports that the cost of high-quality infant care in Austin ranges from \$15,000 per year on the city’s east side to \$20,000 on the city’s west side.²⁶

The Austin City Council adopted a strategic direction in the Spring of 2018, intended to guide the City for the next three to five years. Broad areas of focus included:

- **Economic Opportunity and Affordability:** Having economic opportunities and resources that enable us to thrive in our community.
- **Mobility:** Getting us where we want to go, when we want to get there, safely and cost-effectively.
- **Safety:** Being safe in our home, at work, and in our community.
- **Health and Environment:** Enjoying a sustainable environment and a healthy life, physically and mentally.

²⁵ Badenhausen, Kurt (November 12, 2014). *Texas Leads Best States for Future Job Growth*. Forbes, <https://www.forbes.com/sites/kurtbadenhausen/2014/11/12/texas-leads-best-states-for-future-job-growth/>

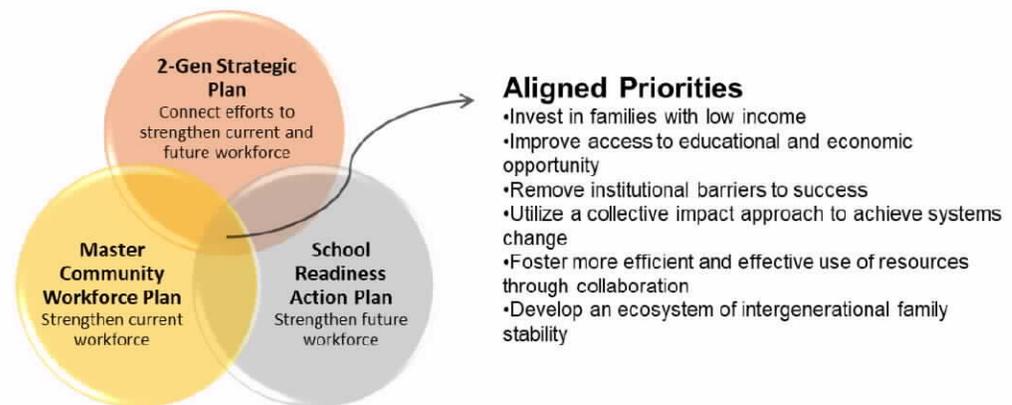
²⁶ Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*. <https://www.unitedwayaustin.org/success-by-6-plan/>

- **Culture and Lifelong Learning:** Being enriched by Austin’s unique civic, cultural, ethnic, and learning opportunities.
- **Government That Works for All:** Believing that city government works effectively and collaboratively for all of us—that it is equitable, ethical and innovative.

Within the **Economic Opportunity and Affordability** section:

- As a strategy: “Create equitable access to quality Early Childhood Education (ECE) by supporting families who do not qualify for existing free programs and cannot afford quality programs on their own, increasing availability of quality ECE programs, and encouraging living wages for ECE providers.”
- As metrics these two community indicators:
 - Number and percentage of children enrolled in quality Early Childhood Education programs (as evidenced by meeting Texas Rising Star criteria). [This metric falls within one of Council’s top 10 indicators (those in which Council would like to see a high level of improvement over the next 2-3 years), “Skills and capability of our community workforce (including education.”)]
 - Percentage of households that area considered cost-burdened based on calculation of housing and transportation costs relative to income (utilities, childcare, property tax, and health care costs to be added as data becomes available.

Figure 5: Connecting the Dots: Workforce Development and School Readiness



Source: SX6, TXP

Figure 6: Putting a Foundation Under the Future Austin Workforce

	City of Austin Strategic Direction 2023	Master Community Workforce Plan	Success By 6 Strategic Plan 2019-2023	Austin/Travis County 2-Generation Strategic Plan 2019-2023
Vision	Austin is a beacon of sustainability, social equity, and economic opportunity; where diversity and creativity are celebrated; where community needs and values are recognized; where leadership comes from its community members and where the necessities of life are affordable and accessible to all. (from Imagine Austin)	A workforce system that effectively engages employers, community-based organizations, and educational institutions, empowers residents to more efficiently match employers' skill needs and successfully prepares economically disadvantaged residents for family-sustaining careers.	Public and private sectors in Austin/Travis County will work together to ensure that school readiness becomes and remains a top priority. By the time children enter kindergarten, they will have the cognitive, physical, social, emotional and language skills needed to thrive in an educational setting.	Policies and programs are designed, and their resources are aligned, to help parents improve educational skills and become economically stable, to strengthen parents' ability to be positive influences on their children's development, and to help children achieve their maximum potential by simultaneously addressing the needs of parents and children.
Context	SD23 is inspired by Imagine Austin which laid out a 30-year vision for our community. SD23 sets six strategic outcomes to guide the next three to five years and outlines imperatives to advance equitable outcomes across Austin. As a single playbook for effective governance of the City of Austin, it uses an outcome-based approach to setting priorities and budgeting.	By 2021, the Austin Metro Area is projected to have more than 60,000 job openings that require more than a high school diploma but less than a bachelor's degree. The first priority of the Austin Metro Area Master Community Workforce Plan is to improve economically disadvantaged residents' access to these middle-skill jobs.	34,000 children under the age of six live in low-income households in Travis County. Research indicates that children born into and growing up in low-income households are more likely to experience negative health, economic, and educational outcomes. Early learning is critical, as 90% of the brain develops by age five. The goal of the School Readiness Action Plan is to ensure that children ages 0-5 are healthy, happy and prepared for school success.	Economic mobility rates in Austin are lower than those of many major cities. Although there are many promising anti-poverty programs, most focus solely on adults or their children. Research indicates that meeting the needs of both generations (a 2-Gen approach) leads to better economic outcomes for both generations. The 2-Gen Strategic Plan outlines steps to expand and strengthen the 2-Gen approach in Austin/Travis County.
Objective	Together we strive to create a complete community where every Austinite has choices at every stage of life that allow us to experience and contribute to all of the following outcomes: <ul style="list-style-type: none"> • Economic opportunity & affordability • Mobility • Safety • Health & environment • Culture & lifelong learning • Government that works for all 	By 2021: 10,000 residents living at or below 200% of poverty will secure middle-skill jobs.	By 2023: 70% of Austin/Travis County children enter kindergarten school ready.	By 2023: Increase the number of families in Austin/Travis County who are served through a 2-Gen approach, ultimately leading to greater economic mobility in the region.

Source: SX6, Austin Strategic Direction 2023, TXP

Austin lags behind other comparably sized cities in investments in early childhood; last year Austin/Travis County invested \$220 per child under 6 from low-income households. This is compared to San Antonio (\$419), Denver (\$935), Portland (\$965), and Philadelphia (\$1,141).³⁰ Children from families with lower income are the ones most likely to suffer from lack of access to high-quality childcare. SX6 reports that 34,000 children under age 6 in Travis County live in households with low income, and 90% of them are children of color - that's 1 in 3 children under 6 in Travis County. Only 39% of these children begin kindergarten ready to learn and succeed. In fact, only 34% of children under four from low income households receive any early learning services at all.³¹

One option available to families are the pre-K programs offered by Austin Independent School District. The pre-K program for children aged 4 is full day and half day for children aged 3, and both are free to low-income, children whose first language is not English, military, and other qualifying families. The full day schedule runs from 7:45 am to 2:00 pm, so most working parents must still make arrangements for after school care. In addition to state funding, AISD invests about \$8.7 million of its local money in prekindergarten and serves 4,900 students each year.

For all childcare programs, it should be noted that a tension exists between the need to keep costs low for working parents and the desire to adequately pay childcare workers. Childcare teachers earn salaries from \$8.50 to \$16.86 per hour, with the average bottom salary \$10.67 per hour and the average top salary \$14.07 per hour. Larry Elsner, the executive director of Open Door preschools, noted that their biggest challenge is keeping tuition affordable for families while also paying their staff a living wage. He went on to say, "the childcare industry is subsidized by childcare workers and preschool teachers. They're the ones who make it, more or less, affordable for families."³²

Finally, the cost of occupancy has risen dramatically as real estate prices in Austin have skyrocketed. This has put pressure on all types of facilities, as increased occupancy costs (such as for rent and property taxes) mean fewer resources for actual provision of care. For example, according to a story earlier this year on KXAN, Dr. Judy Szilagyi

³⁰ Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*. <https://www.unitedwayaustin.org/success-by-6-plan/>

³¹ Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*. <https://www.unitedwayaustin.org/success-by-6-plan/>

³² Diamante, Reena (May 2, 2019). *Teacher Wages Impact Affordability of Child Care in Austin*. Spectrum News, <https://spectrumlocalnews.com/tx/austin/news/2019/05/03/teacher-wages-impact-affordability-of-child-care-in-austin->

recalls the that the challenge of finding high-quality childcare has been felt in Travis County since the 1990s. "I worked and my husband worked," she said. "I had my daughter on a list for childcare before she was born." Her daughter is now married and thinking about starting a family of her own, but Szilagyi says the shortage of good care options hasn't improved. "As a grandmother I may be in the same place, looking for childcare for my granddaughter."

Szilagyi is now the education manager for Child Inc., the organization that currently provides Head Start and Early Head Start services in Travis County for families with low-income. The group operates several centers around Travis County, but they're just as strapped for space as private childcares and preschools. "We have at least a minimum of about 400 children on the wait list" in Travis County alone, said Beverly Davis, Child Inc.'s program operational manager.

Findings & Recommendations

Access to high-quality childcare in Austin is a classic case of too little supply, too much demand, and not enough resources among the customer base to adequately pay. The details are interconnected and daunting. Since many who need childcare cannot afford to pay a market rate, providers struggle to pay wages at a level that attracts and retains quality employees. Meanwhile, the burgeoning local real estate market yields rents that are way out of reach for providers that don't either already own their facilities or have a favorable long-term lease in place, forcing many to locate either well away from their client base or simply shut down when the rent doubles.

The translation is that childcare for the affluent is adequate (though not without challenges) and extremely challenging for the rest of the working population, absent family circumstances or association with a religious or other group that can offer discounted services. This has become a significant barrier to the creation of middle-skill employment in Austin and is an important part of the overall affordability conversation. In response, TXP suggests that the City work to expand the supply (both facilities and labor force) and lower the costs (meeting demand).

The following are specific recommendations to address each.

Recommendation #1: Incorporate childcare incentives into the City's existing economic development program

- Employer-provided and/or subsidized high-quality childcare on-site
- Subsidies/assistance to employees for high-quality childcare; and
- Creative “gap-fill” programs

Discussion:

In the Community Benefits sections of the City's incentive scoring matrix there is a portion that rates the company's offering of parental leave and child-care. The company will receive points for each section that will add up to an overall score to determine both their overall eligibility and size of incentive they qualify for. The following language and guidelines were adopted in February 2019.

Does the firm offer parental leave?

- Poor: Firm adheres only to basic legal requirements under Federal law
- Acceptable: Firm provides two or more weeks of paid parental leave
- Excellent: Firm provides six or more weeks of paid parental leave

Does the firm offer childcare support?

- Poor: Firm does not offer childcare support
- Acceptable: The company will provide an on-site day care facility for employees, and/or provide subsidized childcare for employees tied to a percentage of the worker's salary (equal to at least 5% of annual compensation)
- Excellent: The company will provide an on-site childcare facility that is open to the public that is either provided at no cost to the employee and/or is based on a means-tested sliding scale that is the equivalent of no more than 10% of the employee's or outside party's annual compensation.

Beyond the above qualifiers, EDD encourages creative proposals from companies related to meeting the childcare needs of their workers and is willing to consider a range of ideas that support a family-friendly work environment. To that end, proposals should help meet the need for increased access to affordable, high-quality child care for infants and toddlers, involve the commitment of company resources (although this does not necessarily have to be strictly financial), and emphasize providing service to employees who need the most assistance, typically those who are on the lower end of the company pay scale. An example of such a program would be one offered by Indeed, where employees can access company-sponsored childcare on an emergency basis. Another unmet need in Austin is childcare for families with non-traditional work hours.

Previous work by TXP estimates that the annual cost to the City of someone who is capable of working but is not employed is approximately \$3,000 – a combination of foregone tax revenue and access to means-tested social programs. While this figure is useful, it may not fully capture the value of enabling greater labor force participation through high-quality childcare, as it puts no value on the educational and developmental impact associated with high-quality programs. To the extent possible, therefore, the City should err on the side generously incentivizing the provision of affordable, high-quality childcare.

Recommendation #2: Incentivize developers/landlords to make space more affordable for childcare centers

- New developments could receive bonus points as part of “place-based” economic development incentives
- Existing buildings could receive either a property tax credit/freeze depending on level of subsidy they provide to childcare tenant

Discussion:

There is a growing awareness among developers and property owners that childcare is an amenity that potentially can add value to their property. According one well-known Austin developer, “we strongly support childcare facilities . . . in the past, we have provided land to provide to childcare providers . . . currently we have provided three child care facilities at one of our largest developments and there is one tract in Goodnight that is intended to be a child care facility. We have two sites where we are contemplating subsidized childcare facilities where we partner with a childcare provider to provide childcare at a lower cost to our residents . . . While this is conceptual, we have had discussions with a strong child development center operator who thinks the idea has merit.”

While awareness is growing the fact remains that rising costs of occupancy are among the most pressing issues facing many businesses and not-for-profits in Austin, as rents have skyrocketed in recent years, especially near the central city. The City could explore the concept of allowing landlords to use a portion of their City property tax liability to close the gap between market rates and tenant ability to pay as a means of addressing the issue. For example: Assume a high-quality childcare organization (to be defined) is facing a rent increase from \$2,000 to \$2,500 per month as a tenant in a building (which may include more than this tenant) valued at \$2,000,000 for ad valorem tax purposes. Given a current City property tax rate of \$0.4403/\$100 of assessed valuation, that means that the City currently collects \$8,806 annually. If the City chose to offset all of the increase (\$500/month, or \$6,000 annually) that would

mean that the building owner/landlord would owe a net figure of \$2,806 (\$8,896 minus \$6,000) to the City, in return for not raising the rent for that organization. Similarly, high-quality childcare providers could qualify for a “re-set” subsidy based on recent rent increases.

The above is just an illustration of the concept, and by no means an outline of program guidelines. For an effort like this, the devil is in the details, as parameters must be established delineating who qualifies, how and under what conditions can the program be accessed, the appropriate levels of subsidy, what happens if the property tax liability doesn’t meet the subsidy set forth by the program parameters, etc. By the same token, the City may want to look beyond just the property tax liability of buildings occupied as tenants by high-quality childcare providers as the basis of offsetting some or all of their increased cost of occupancy under current market conditions.

The City is expected to consider this recommendation as part of its efforts to refine and update place-based economic development policy.

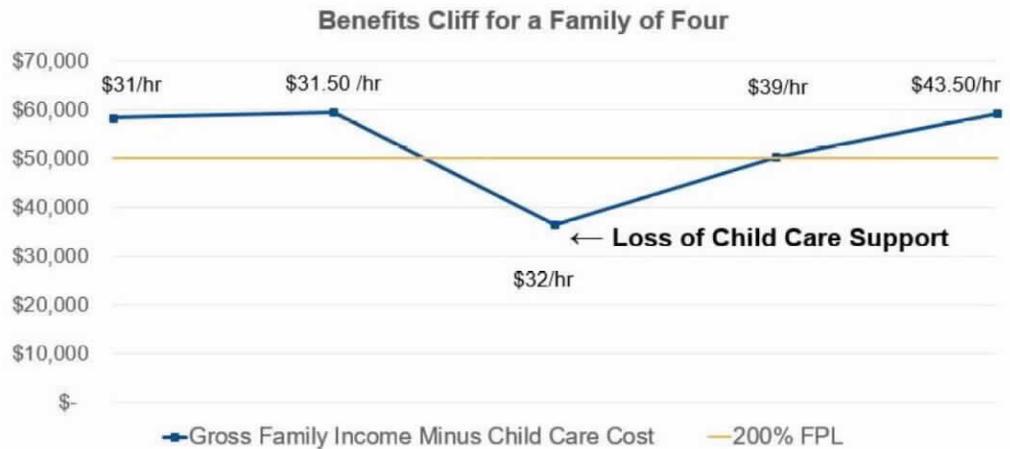
Recommendation #3: Subsidize the cost of childcare for graduates of City of Austin-funded job training programs

- Target children who are 4 years old or younger;
- Coordinate with existing programs as aligned with and part of the Austin/Travis County Success By 6 Strategic Plan; and
- Create a meaningful level of incentive that facilitates acceptance of a middle-skill job for which applicant has been trained (35-50% of monthly cost).

Discussion:

One of the barriers to middle-skill employment is high-quality childcare, as paying hundreds (if not thousands) of dollars per month is very challenging for those in this income range. The costs are especially daunting for those who need full-time care for children from birth to age 5, as the federal subsidy they receive while in job training is eliminated once they leave the program, creating a “benefits cliff,” as illustrated in Figure 7 below.

Figure 7: Raises Are Not Always Beneficial



Source: United Way for Greater Austin

As part of the Baseline Evaluation Report for the Austin Area Master Community Workforce Plan, the Ray Marshall Center estimated that in the 2015-16 year, 925 participants completed a training program among the master plan provider partners including 5 major community-based organizations that receive City of Austin funding. Capital Idea has data on what share of their graduates have children by age range, which can be extrapolated over the entire range of City-funded job training graduates, while all current City employees accessing the stipend are assumed to participate. Data from the Capital Area Licensed Childcare Centers 2018 survey (75th Percentile) was used to estimate the average daily cost of attendance by pre-school age group; assuming 21 days/month, the translation is \$1,000/month for infants (less than 18 months), \$935/month for Toddlers (18-36 months), and \$854/month for pre-school (3-5 years). Taken together, this all adds up to approximately \$1.5 million annually to provide an approximate 50% subsidy to the job training graduates outlined above. Nevertheless, an investment on this order of magnitude could materially impact hundreds of families and provide a strong additional incentive to enter and complete job training. The longer-term dividends to both individuals, their families, and the community will be substantial.

With Council support, this conversation could be part of the discussion around the fiscal 2020-21 budget.

Recommendation #4: Explore options to create dedicated long-term funding that could more widely subsidize the cost of childcare for those of low and middle-incomes (means-tested)

- Dedicated fees
- Philanthropy
- Fund transfer from City of Austin Enterprise funds,
- Bond funding to create a corpus
- Joint funding with other local public sector jurisdictions
- Other

Discussion:

While the recommendations above could provide much needed assistance to certain members of the community, the issue of lack of access to affordable high-quality childcare is much broader. It is unlikely that any one program or source of funds can provide a comprehensive solution. Instead, a portfolio approach should be adopted, with perhaps a single organization or point of contact designated to make sure that resources are aligned and not used in a duplicative fashion. There is precedent for this approach elsewhere. In Virginia, national experts Opportunities Exchange were engaged to facilitate alliances. According to Kathy Glazer, President of the Virginia Early Childhood Foundation:

“our first, Richmond Area Shared Services Alliance, has had some nice initial wins in the area of maximizing business efficiencies for small childcare programs. . . philanthropy in Virginia has been generous and attentive to the cost of childcare. For example, philanthropic organizations have fronted the costs for start-up of Richmond Area Services Alliance. The Robins Foundation has funded early childhood development in the Richmond region at a minimum of 40% of corpus over time, especially through creation of the Partnership for Families Northside and support of a fiscal/resource mapping for Richmond’s distressed East End. Conversations with hospital foundations (most notably, the Danville Regional Foundation) across the state support innovations focused on early childhood systems building for diverse communities, developing strategies that differentiate the needs of urban vs rural vs suburban populations.”

Opportunities Exchange also reported on several cities that have enacted initiatives aimed at earmarking new revenue for the childcare sector. “For example, The City of Philadelphia successfully passed a tax on sweetened beverages in 2016 (which has since survived multiple court challenges and ultimately was sustained by the PA Supreme

Court.) This tax was projected to raise about \$60 million/year for investments in the City's PreK program. Philly PreK pays high-quality childcare programs \$8,500/year per child for services of 6 hours/day and 10 months/year. Many childcare programs that serve parents who need full day/full year services are able to combine these funds with childcare subsidy funds so that they are able to fully fund services and pay teachers a wage scale that mirrors salaries in K-12 private schools (a significant improvement in childcare salaries)."

Recommendation #5: Inventory not-for-profit spaces (including academic and religious institutions) for possible additional sites and resources to locate high-quality childcare programs.

Discussion:

In addition to incentivizing landlords/developers, the City could play a catalytic role in identifying space and/or additional resources (e.g., playground equipment, technology, etc.) that could be accessed by high-quality childcare organizations at a reduced or no cost.

Recommendation #6: Encourage the development of childcare "internships" with local colleges/universities

- Identify any discipline that ultimately interacts with children
 - Human Development & Family Services
 - Education
 - Medical professions
 - Recreation
 - Social work
 - Psychology
- Offer some combination of a stipend and academic credit for working in high quality childcare centers
- Encourage academic research by integrating faculty into process – children could become research subjects (properly controlled/vetted)

Discussion:

The internship/apprenticeship model could be applied with local institutions of higher education, where students potentially could receive both academic credit and a stipend for working in high-quality childcare centers. In both cases, the idea is again to find ways to cut costs while maintaining quality standards. The common thread is

leveraging the excess capacity of resources that are partially focused elsewhere to the benefit of all.

Recommendation #7: Expand City Staff Capacity on Early Childhood

If Council were to move forward with one or more of the recommendations in this report, it is also recommended that City staff capacity be expanded to facilitation implementation of the recommendations. For example, if Council were to move ahead with Recommendation #3 or #4, additional City staff focused on early childhood would be required to launch these new efforts.

For example, it was recommended in discussion with community stakeholders for this project, that if the City were to dedicate long-term funding for childcare (Recommendation #4), it would be useful to have a staff person focused on how the City's early childhood funding aligns with other public and private sources of funding. This would ensure the City's dollars are used most effectively to advance the work in alignment with the community's Success By 6 strategic plan, the 2-Generation strategic plan, the Master Community Workforce Plan, and Strategic Direction 2023. It would also help avoid duplication of funding efforts.

Conclusions

While Austin continues to receive accolades for its economic success, the benefits are unevenly distributed. This has been formally recognized by the City, as evidenced in the prelude to the updated Chapter 380 Economic Development Policy adopted last summer. According to this document, "recent job growth without commensurate wage increases means that many in Austin are under-employed, which makes rapidly rising costs even more burdensome . . . in addition, there are who report having a disability, as well as many who are in recovery from substance abuse or who have had a recent experience with the criminal justice system. It is these populations, those who are under-employed, chronically unemployed, and outside the labor force, who are in most need of economic development assistance." The report goes on to cite the enabling Council resolution that identified that "jobs that provide decent compensation for middle-skill workers are a high priority," and "hard-to-employ populations require a heightened effort to maximize meaningful labor force participation."

For many who fit into these targeted categories, access to affordable, high-quality childcare is a significant stumbling block to economic improvement. Moreover, the situation is unlikely to change, absent significant public/not-for-profit intervention. Opportunities Exchange summarized the situation well:

The business model for childcare, which is a market-based system, is broken. Most childcare centers are simply too small to operate efficiently and most leaders are skilled in child development, not business. Even with efficient management, the cost of delivering high-quality childcare is higher than market prices – especially for infants and toddlers. The result is the even well-managed programs struggle to generate sufficient resources to pay decent wages and benefits, keep ratios at best practice levels, or invest in the professional development, planning and supplies/equipment needed to improve the quality of the program. Bottom line – it is almost impossible to deliver sustainable, high-quality, full-day, year-round childcare for infants and toddlers at a price that families can afford or are willing to pay.”

The recommendations found in this report, if implemented, should at least help improve the situation for some. They are all based to some degree, however, on the recognition that a true market-based system of childcare, especially for younger children, is unworkable. High-quality childcare should be seen in the same light as education in general, in that it is a public good that should be supported with resources beyond the fee-for-service implied in a strictly market-based system. This is especially important for younger children, as there appears to little focus on seeing the care of infants and toddlers as a key foundational element of a child’s overall educational experience. To the extent that this orientation can be adopted, the opportunity for ultimate success can only increase.

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